

*** NOTE: TO RETURN TO THIS PAGE, CLICK ON THE COUNTY SEAL ***

[CLICK HERE FOR THE CEO's REPORT DATED DECEMBER 14, 2006](#)

[CLICK HERE FOR THE CEO's REPORT DATED FEBRUARY 7, 2008](#)



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

December 14, 2007

To: Chairwoman Yvonne B. Burke
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

DOCUMENTARY TRANSFER TAX (DTT)

This is in response to your Board's motion of October 30, 2007 directing the Chief Executive Office (CEO) to convene a working group including the Assessor, Registrar-Recorder/County Clerk (RR/CC), Auditor-Controller (A/C), Treasurer and Tax Collector (TTC), and County Counsel to further research DTT enforcement and report back to the Board in 45 days on:

- Recommendation for improving the process to enforce transfer tax collections, including, but not limited to, recommendations for County ordinance and State legislative amendments where appropriate;
- An estimate of the amount of outstanding transfer tax owed to the County and of what the amount of future transfer tax collections might be; and
- A recommended timeline for implementation.

As instructed, the CEO convened a working group with the Assessor, RR/CC, A/C, TTC, and County Counsel. As stated in the motion, DTT is typically paid at the time a deed is recorded with the County's RR/CC. However, when a greater than fifty percent (50%) interest in a corporation occurs, no deed may ever be recorded. Currently, collection on these transactions occurs when a corporation voluntarily pays the tax. Enforcement and improved collection of DTT on these transactions was discussed by the working group. In addition, the working group looked at other counties who either have a process in place or are in the planning stages in order to evaluate their processes, and identify benefit and risks they have addressed in their implementation. This review process is currently ongoing.

Each Supervisor
December 14, 2007
Page 2

Over several meetings, the working group discussed types of collections, volume of transactions, data needs and interfaces between each of the impacted departments, tax collection form design, retroactive processing, appeals process, audit process, and penalties. At this time, each affected department is developing details on how the process will work including an implementation timeline, tentatively targeted for July 1, 2008.

As requested by the motion, the Assessor determined there are approximately 10-15 changes in corporate control per month where no DTT is collected. According to current law, the statute of limitations for collection of DTT is three years from when the transfer occurs. The Assessor typically learns of the changes in corporate control 18 months after the occurrence, leaving only approximately 18 months to enforce collection of the tax. To extend the statute of limitations to allow the County additional time to pursue collection will require legislative changes.

Based on that timeframe, the Assessor reviewed the last two years of corporate transfers in Los Angeles County and identified 643 parcels at an estimated transfer tax of \$6.90 million owed to the County, or \$3.45 million per year. We are also analyzing costs necessary to implement and maintain this program including one-time costs and ongoing costs.

Recognizing that any delay in implementation means lost revenue to the County, the working group identified responsibilities for each of the named departments, as well as needed computer system changes, possible ordinance changes, audit and appeals processes, and legislative changes. The working group continues to meet monthly to discuss the development process and the progression to an implementation timeline. We anticipate returning to the Board at the end of January 2008 with a Board report and recommendations for approval.

Please contact Debbie Lizzari at (213) 974-6872 if you have any questions or need additional information.

WTF:DL
AHW:ljp

c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Registrar-Recorder/County Clerk
Assessor
Treasurer and Tax Collector

DTT.bm



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

February 7, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

DOCUMENTARY TRANSFER TAX

On October 30, 2007, on the motion of Supervisor Yaroslavsky, your Board instructed the Chief Executive Office (CEO) to convene a working group including Office of the Assessor, Registrar-Recorder/County Clerk (RR/CC), Auditor-Controller (A/C), Treasurer-Tax Collector (TTC) and County Counsel to further research Documentary Transfer Tax (DTT) enforcement and report back to the Board within 45 days.

On December 14, 2007, our office submitted a status report to your Board indicating that the CEO convened a working group with all involved departments to discuss the development process and the progression to an implementation timeline. The RR/CC is working with County Counsel in finalizing the self-reporting form to be sent to entities when controlling interest of property has been transferred. Upon final agreement on the form, contents and originating signatory for the notice, the RR/CC indicates they will be ready to send out initial notices by the end of February. After the program is initiated, the RR/CC will continue to develop an automated system that will automatically generate notices based on transfer data provided by the Assessor, which is expected to be by the end of June.

Over several meetings, the working group discussed DTT collection form design, retroactive processing, appeals process, audit process, and penalties. The working group also identified a need for possible ordinance and legislative changes.

For example, a mechanism for sharing of information between the State Board of Equalization and recorders could assist in discovery of undisclosed transactions. In addition, making the statute of limitations for DTT collection consistent with property tax collection could assist in lengthening the time in which enforcement action must be taken on the undisclosed transactions as well. Unless otherwise instructed, we will work with County Counsel and other affected departments to include an appropriate board policy in the County's 2009-10 State Legislative Agenda in an effort to pursue these necessary legislative changes to the document transfer tax program.

Please contact Ellen Sandt at (213) 974-1186 if you have any questions or need additional information, or your staff may contact James Yun at (213) 893-2072.

WTF:ES
GS:JY:ef

c: Assessor
 Auditor-Controller
 Executive Officer, Board of Supervisors
 County Counsel
 Registrar-Recorder/County Clerk
 Treasurer and Tax-Collector